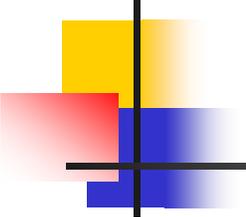


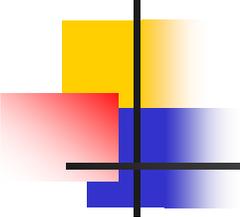
Sub-Award versus Sub-Contract

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2/9/07



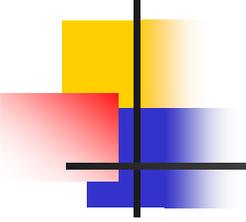
Introduction: Substance Over Form

- In Fermilab procurement parlance, a **subcontract** can refer to either a **sub-award** or a **vendor** agreement. To avoid confusion, for the rest of this discussion we will use the term “vendor” rather than subcontract.
- In making the determination of whether a **sub-award** vs. a **vendor** relationship exists, the substance of the relationship is more important than the form of the agreement.
- A **sub-award** involves substantive programmatic work that is parceled out to one or several institutions that are made responsible for a portion of a project awarded to Fermilab.
- A **vendor** agreement generally involves only the procurement of goods and/or services necessary for Fermilab to carry out substantive programmatic work on a project.



What Indirect Rates Apply?

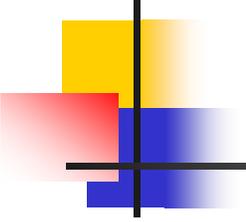
- All sub-awards, regardless of the dollar amount, are charged a **1.5% G&A** rate (called the “pass-through” rate) only
- Why?
 - It is assumed that the majority of overhead costs will be incurred by the sub-awardee in conjunction with the performance of work at the sub-awardee’s facility.
- All vendor agreements are charged the Lab’s standard indirect rates (currently 15.5%)



Who Is a Sub-Awardee?

An entity who:

- contributes substantively to the scholarly/scientific conduct of the project as described in the scope of work and has responsibility for programmatic decision making;
- has responsibility for adherence to applicable Federal program (i.e. Fermilab's DOE contract) compliance and whose performance is measured against whether the objectives of the Federal program are met;
- brings a unique knowledge and expertise to the project and will conduct the work mostly independent of Fermilab's direct supervision or control with only general technical direction and coordination exerted by the Fermilab Principal Investigator; and
- does not provide the same goods and services to others as part of its primary business operations and uses the sub-award funds to carry out a program of the organization as compared to providing goods or services for a program benefiting only the pass-through entity.



Who is a Vendor?

An entity who:

- provides the goods and services within normal business operations;
- provides similar goods and services to many different purchasers;
- operates in a competitive environment;
- provides goods or services that are ancillary to the conduct and completion of the Federal program; and
- is not subject to compliance requirements of the Federal program.